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TRUSTPOWER SUBMISSION: EXTENDING EPR RECOMMENDATIONS TO THE GAS MARKET

Trustpower appreciates the opportunity to submit on the Gas Industry Company's ("GIC") *Extending the Electricity Price Review's Final Recommendations to the Gas Market* Assessment Paper.

We advocated for the inclusion of the gas industry into the Terms of Reference (**ToR**) of the Electricity Price Review (**EPR**) in 2018.

We note that many of the same areas highlighted in the ToR for the electricity market – including pricing, governance, market structure and market performance, have also been the subject of concern in the gas industry. Given especially that energy vulnerability and overall affordability is impacted by gas pricing too, the scope of the Review should therefore be expanded to include the gas industry and its governance¹

We are therefore highly supportive of the GIC taking interest and showcasing willingness to assess whether to extend the EPR Final Recommendations to the Gas market.

However, we note that by virtue of many retailers operating in both the electricity and gas markets it is likely that changes associated with EPR recommendations such as the removal of prompt payment discounts and improved consumer awareness of Powerswitch and Utilities Disputes Ltd will be applied across both markets in any case. It would be advisable for the GIC to enable time to observe whether this occurs naturally prior to considering whether to intervene directly.

Furthermore, due to the gas industry being excluded from the scope of the EPR, the analytical work carried out to support the recommendations of the EPR has not covered the sector. To ensure that recommendations from the EPR are not inappropriately or disproportionately applied to the gas sector this gap will need to be addressed. We appreciate that the GIC has made an initial assessment against a number of initiatives to filter out those which are completely irrelevant (i.e. market making requirements) but suggest that further analysis be undertaken to bridge any gaps so that an evidence-based approach to decision making continues to be adopted.

The remainder of our submission presents our views on those aspects of the EPR recommendations and the GIC's assessment of their applicability to the gas sector that we consider are worthy of further consideration.

¹ *Electricity Price Review Terms of Reference*, Trustpower Submission, 2018 at 7.1.1

Strengthening the consumer voice

Agree for the role of the consumer advisory council being extended to include the Gas market

Trustpower agrees with the GIC that it would be advantageous for the consumer advisory council's remit to be extended to include the Gas market as it is important to ensure voice of consumers heard in decision making. We are supportive of the GIC continuing conversations with the Ministry of Business, Innovation and Enterprise (**MBIE**) around this matter.

Reducing energy hardship

Support the adoption of measures that aim to reduce energy hardship and improve consumer welfare across the energy industry.

Trustpower supports the GIC considering the appropriateness of those recommendations from the EPR that relate to reducing energy hardship and we believe this makes intrinsic sense given that the "energy sector" typically involves both electricity and gas. In our view, extending the remit of the cross sector energy hardship group to also consider the gas industry will promote unified thinking across the energy industry to the benefit of consumers.²

We are uncertain whether much attention to the role of the gas within this context has been provided in the past, possibly due to perceptions that gas is not likely to be a predominant fuel source in many homes suffering from energy hardship. A better understanding of this relationship will be required in order to ensure appropriate extension to the gas sector of the initiatives associated with these recommendations.

Increasing retail competition

More consideration ought to be given to whether there is a need to implement the EPR recommendations to the Gas retail market

Trustpower supports the GIC in further considering whether initiatives associated with increasing retail competition in the electricity market might be applicable to the gas market as well.

However, we are firmly of the view that any assessment of initiatives, such as extending the ban on saves and winbacks, need to be made based on actual evidence that there is a problem occurring within the retail gas market. If there is found to be a problem, the alignment with the electricity industry would be the best approach. As a general observation, adopting design options from other markets and transplanting them without appropriate adaptation for the specific market circumstances will almost always have unintended consequences.

With respect to the extension of Powerswitch³ to include LPG (reticulation and bottles), Trustpower broadly supports this option but suggest that further clarity around funding arrangements for this extension would be valuable for the industry.

Regarding enabling consumer request for consumption data, while we do not disagree with the GIC's assessment, we are unconvinced that this recommendation needs to be progressed at this time in the gas industry. We are supportive of efforts that enable consumers to access their data, but it is our view that is not an urgent workstream for the GIC to progress because the benefits of 'real time' data cannot be realised due to the lack of Gas smart metering at present. In addition, the Ministry for Business, Innovation and Enterprise (**MBIE**) is evaluating whether New Zealand should develop a Consumer Data

² Noting it is essential to ensure sufficient funding is available.

³ We note that Whatsmynumber has already merged with Powerswitch.

Right.⁴ It is likely that a Consumer Data Right for New Zealand, if implemented, would provide further guidance as to how best to enable and foster consumer's access to their own personal gas consumption data in the future. It may be prudent to wait for the MBIE to release further details in 2021 before progressing with recommendation C3.

We agree with the GIC's view that a model that parallels the Authority's default distributor agreement terms is not needed in the gas industry at this time. However, we would encourage the GIC to continue to monitor terms covering network access to ensure there are no barriers to competition, and core terms and conditions are clear and reasonable.

Trustpower did not support the EPR suggestion to establish a pilot scheme to help non-switching consumers find better deals. In our response to the EPR Options Paper in 2019 we noted that "*A heavy-handed regulatory intervention like the mass-switching trials in the United Kingdom (UK) risks the introduction of unintended consequences*".⁵ Our view is the same for the gas industry. It would not be appropriate to establish such a pilot scheme for Gas consumers.

Reinforcing wholesale market competition

Inefficiencies are being caused by asymmetry of information in the Gas market

We strongly agree with the GIC's view of the need to improve the availability of wholesale gas market information. Wholesale market competition and efficient operation of the market is best supported via a framework that can reduce gas market information asymmetries. For this reason, we have long supported the GIC establishing a regulated information disclosure regime for the downstream and upstream gas markets.

Improving the regulatory system

A combined electricity and gas regulator remains an appropriate option

Trustpower continues to consider that a combined electricity and gas regulator would be appropriate as we explained throughout the EPR process.⁶ There a number of benefits of a combined regulator. Greater consistency in the regulation of arrangements affecting consumer outcomes and improved interface between the wholesale gas and electricity markets are among the key ones.

If you have any questions relating to the material in this submission, please contact Fiona Wiseman – Senior Advisor, Strategy and Regulation on 027 549 9330.

Regards,



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⁴ Please see the MBIE workstream <https://www.mbie.govt.nz/business-and-employment/business/competition-regulation-and-policy/consumer-data-right/>

⁵ Trustpower Submission: Electricity Price Review's Options Paper, 2019, pg.9.

⁶ Trustpower Submission: Electricity Price Review's Options Paper, 2019, pg.22.